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Trade Policy Monitoring

EU Becomes China's Biggest Trading Partner

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Report Highlights:

Recent reports have mentioned that the EU has become China's biggest trading partner, surpassing the US and Japan. This is simply the result of the recent enlargement of the EU to 25 countries. The total trade for these countries would have been greater than that of the US in 2003 and only just behind Japan.

Includes PSD Changes: No
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EU Becomes China's Biggest Trading Partner

A. Overall Trade

Recent reports have mentioned that the EU has become China's biggest trading partner, surpassing the US and Japan. This is simply the result of the recent enlargement of the EU to 25 countries. The total trade for these countries would have been greater than that of the US in 2003 and only just behind Japan. The data shows that for the EU-15 trade was still \$2 billion below the level of the US in 2004. Despite this difference both groups have shown similar growth rates from 2003 – 2004, around 34%. The total trade for the EU-15 was \$130 million larger than Japan, but Japan's growth was only 25.5%. Most of the increase in China's trade with the EU was from CN chapter 84 products: Nuclear Reactors, Boilers, Machinery, and Mechanical Appliances. This product group accounted for the largest portion of both Chinese imports to, and exports from, the EU in 2004.

Table 1. Total of Chinese Imports and Exports of All Commodities

Partner Country	Annual Series: 2000 - 2004					Percentage Increase 2003/2004	China's 2004 Total Trade Surplus/Deficit (bn)
	Billions of United States Dollars						
	2000	2001	2002	2003	2004		
World	474.3	510.0	620.9	851.6	1,154.5	35.57%	32.8
EU-25	71.9	80.4	91.8	132.9	177.0	33.26%	37.3
EU-15	69.0	76.6	86.7	125.2	167.9	34.07%	31.8
United States	74.5	80.5	97.2	126.4	169.6	34.21%	80.3
Japan	83.1	87.9	102.0	133.7	167.7	25.49%	-20.7
Hong Kong	54.0	55.9	69.3	87.5	112.9	29.12%	89.3
Korea South	34.5	35.9	44.1	63.3	90.0	42.22%	-34.4
Taiwan	30.5	32.3	44.7	58.4	78.3	34.14%	-51.2
Singapore	10.8	10.9	14.0	19.4	26.7	37.90%	-1.3

While trade data between China and Hong Kong is inclusive of products that are transshipped through Hong Kong, data was not available to determine the extent of transshipment. Korea, Taiwan, and Singapore are also major trading partners of China, all showing significant growth over the past years. Even though China had a trade deficit with these Asian countries, it maintained a significant trade surplus of \$32.8 billion overall for 2004. The trade surplus was even larger with the US at \$80.3 billion.

B. Agricultural Trade

The results were quite different when looking at agriculture. Agricultural products made up only 3.7% of China's total trade in 2004, 5.6% of trade with the US, 2.9% with Japan, and 1.9% with the EU-25. The US was China's the largest trading partner for these product groups with \$8.8 billion in 2004, and Japan was second with \$4.8 billion. The EU-25 was a solid third at \$3.3 billion, but over \$3 billion was with the EU-15 countries. Brazil, Argentina, and Australia were also major trading partners in agricultural products ranging between \$2.6 and \$2.8 billion. These countries were also significant because the trade deficit was rather large for all three. Imports into China made up more than 93% of total agricultural trade with Australia and 99.7% with Argentina. Canada and Indonesia are the only other significant traders in agriculture. After slight decreases between 2000 and 2003 Canada has shown a large increase in the value of its exports to China from 2003 to 2004.

Table 2. Total of Chinese Imports and Exports of Agricultural Products

Partner Country	Annual Series: 2000 - 2004					Percentage Increase 2004/2003	China's 2004 Ag Trade Surplus/Deficit (bn)
	Billions of United States Dollars						
	2000	2001	2002	2003	2004		
World	22.1	22.6	24.5	33.2	42.3	27.26%	-9.4
United States	3.2	3.4	3.5	6.0	8.8	48.47%	-6.1
Japan	3.6	3.9	3.7	4.1	4.8	17.91%	4.4
EU-25	2.5	2.4	2.3	2.9	3.3	12.62%	0.5
EU-15	2.4	2.2	2.1	2.7	3.1	14.61%	0.3
Brazil	0.6	0.8	1.2	2.1	2.9	33.59%	-2.8
Argentina	0.8	1.0	0.9	2.3	2.7	19.55%	-2.7
Australia	1.4	1.4	1.6	1.4	2.6	91.45%	-2.2
Canada	0.8	0.8	0.5	0.6	1.5	163.66%	-1.1
Indonesia	0.7	0.6	0.9	1.1	1.2	14.53%	-0.5

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